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Highlights

SME Business and Owner Characteristics—2011

What attributes characterized Canadian small and medium-sized enterprises (SMEs)?[1]

- There were approximately 1.1 million employer SMEs in Canada in 2011.
- About 71.4 percent of SMEs operated in the services sector, the remainder being goods-producing businesses (28.6 percent). The majority of SMEs were in the construction (15.2 percent), retail trade (13.7 percent) or professional services sectors (11.7 percent).
- The geographic distribution of SMEs is proportional to the overall distribution of the working-age population, with the majority of businesses located in Ontario and Quebec.
- About 43.7 percent of SMEs within Canada have been in operation for 20 years or more, whereas only 4.9 percent of SMEs have been in business for 2 years or less.
- Small businesses represented almost all SMEs in Canada (99 percent).

What attributes characterized SME business owners?

- The majority (66.7 percent) of SME owners had some post-secondary education.
- Only 1.6 percent of SME owners were less than 30 years of age, whereas 48.4 percent were between 50 and 64 years of age.
- About 77 percent of SME owners had 10 years of management experience or more.

Financing Needs—2011

What external sources of financing did Canadian SMEs use in 2011?

- To support start-up, 79.5 percent of SMEs used the personal savings of the business owner and 40.9 percent used credit from financial institutions. These sources of financing were also used most often to support business acquisitions.

What proportion of SMEs sought external financing?

- Request rates were 25.5 percent for debt financing, 6.9 percent for lease financing, 2.3 percent for equity financing, 8.1 percent for trade credit and 3.7 percent for government financing.

1. SMEs are defined as firms with 1–499 employees and annual revenues between $30,000 and $50 million.

For what reasons did SMEs seek external financing?

- SMEs sought debt financing primarily for working capital (51.3 percent), to purchase machinery or equipment (25.8 percent) and to purchase vehicles (19.1 percent).
- SMEs sought lease financing primarily to rent vehicles (34.6 percent) and machinery and equipment (28.1 percent), and to rent business or office space (23.6 percent).

For what reasons did SMEs not seek financing?

- The main reason cited by business owners for not seeking financing was that it was not needed (88 percent). Another 2.9 percent of SMEs did not seek financing because they thought their request would be turned down.

From which financial institutions did SMEs seek financing?

- Loans from domestic chartered banks supplied nearly half (45 percent) of the total value and almost 43 percent of the total number of SME loans, the balance being supplied by other banks, credit unions / Caisses populaires and other lending institutions.

Access to Financing for SMEs—2011

How many SMEs received the financing they requested?

- Approval rates were 89.9 percent for debt financing, 97.4 percent for lease financing, 75.5 percent for equity financing, 98.5 percent for trade credit and 83.8 percent for government financing.
- Total debt financing approved was $23.5 billion, or $172,000 per business.

What types of collateral were requested by debt suppliers?

- The majority of SMEs (65 percent) were asked to provide collateral to guarantee their loans. Business (74.5 percent) and personal assets (39.7 percent) were the two main types of collateral pledged.

For which type of SME was debt financing most difficult to obtain?

- Debt financing was relatively more difficult to obtain for start-ups (less than 2 years old), young businesses (between 2 and 10 years old), and businesses in the accommodation and food services sector, with authorized-to-requested ratios of about 81 percent, 86 percent and 83 percent respectively.

For what reasons were SMEs denied debt financing?

- The main reason SMEs were denied debt financing was insufficient collateral (47.6 percent). Project riskiness (36.8 percent) and insufficient sales or cash flow (35.9 percent) were two other common reasons cited for being denied financing.

What percentage of SMEs were delinquent on their loan repayments?

- By the end of 2011, SME delinquency rates were back to pre-recession levels (0.32 percent), a significant drop from the high of 1.41 percent reached in Q2 2009.

To what extent was access to financing an obstacle to SME growth?

- About 17 percent of SMEs considered obtaining financing to be an obstacle to growth. This is low compared with the 63 percent of SMEs that considered the rising cost of inputs an obstacle and the 38 percent of SMEs that considered devoting too much time to day-to-day operations an obstacle.

Introduction

Small and medium-sized enterprises (SMEs) play a major role in the Canadian economy. They account for over 99 percent of the total 1.1 million employer businesses operating in Canada and employ nearly 90 percent of Canada's private sector workforce. About 98 percent of all of Canada's exporters are SMEs. Given this role in the economy, it is important that SMEs have access to the financing they need to grow and thrive. Insufficient access to financing can lead to liquidity shortages, stagnant growth and reduced market competitiveness. It can also make it difficult for businesses to pursue new innovations and expand into new markets.

Industry Canada conducts regular surveys to monitor financing conditions for SMEs, often in partnership with Statistics Canada. The objective of the surveys is to help government develop a clear understanding of SMEs' demand for, and sources of, financing and track changes over time. The *Survey on Financing and Growth of Small and Medium Enterprises*[2] is the main survey conducted by Industry Canada and Statistics Canada and relied upon by policy-makers. It is conducted every three years and gathers information on SME financing request rates, approval rates, amounts requested, amounts supplied, reasons for seeking financing and reasons for being denied financing. The survey also gathers information on the financing application process, firm profiles and the demographic characteristics of business owners. In addition to the *Survey on Financing and Growth of Small and Medium Enterprises*, this report also used data from Statistics Canada's Business Register, the Bank of Canada's *Senior Loan Officer Survey*, Statistics Canada's *Survey of Suppliers of Business Financing* and PayNet's *Canadian Business Trends*. Together, these sources provide a comprehensive overview of the SME financing landscape in Canada in 2011.

The purpose of this report is to present high-level findings from the 2011 survey, which included almost 10,000 survey respondents. A series of profile papers and technical papers will follow, examining key issues for policy-makers. The report is broken down into three sections: (1) SME Business and Owner Characteristics; (2) Financing Needs; and (3) Access to Financing for SMEs. The appendices accompanying this report provide detailed breakdowns of the data across business size, industry and age categories. All survey results are available on Industry Canada's website at www.ic.gc.ca/SMEresearch.

2. From 2000 to 2010, this survey was known as Statistics Canada's *Survey on Financing of Small and Medium Enterprises*.

SMEs Defined

The term "business" refers to registered business establishments. To be included in our sample population, a business establishment must meet the following criteria: it must have at least one paid employee (with payroll deductions remitted to the Canada Revenue Agency (CRA)), it must have annual sales revenues of $30,000, and it must be incorporated and have filed a federal corporate income tax return at least once in the previous three years. As Industry Canada uses a definition based on the number of paid employees in this publication, our analysis excludes the self-employed[3] and "indeterminate"[4] businesses. Also excluded from the sample population are businesses in the following industrial sectors: public administration, including schools and hospitals; public utilities; and non-profit associations.[5]

The size of a business establishment can be defined in many ways: annual sales or shipments, annual gross or net revenue, assets or number of employees. Among these measures, the approach using the number of employees to determine the size of businesses is widely used to categorize businesses. Data for this measure are often easiest to collect from surveyed businesses and help to facilitate cross-country comparisons. Accordingly, in this report, an SME is a business establishment with 1–499 paid employees, more specifically:

- A small business has 1 to 99 paid employees.[6]
- A medium-sized business has 100 to 499 paid employees.
- A large business has 500 or more paid employees.

3. Self-employed workers include those with incorporated and unincorporated businesses that may or may not use paid help.
4. "Indeterminate" businesses include self-employed and contract workers.
5. See also the exclusions associated with the target population from the *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
6. Other sub-groupings exist among this group of enterprises. For instance, enterprises having 1 to 4 employees are defined as micro-enterprises.

I. SME Business and Owner Characteristics

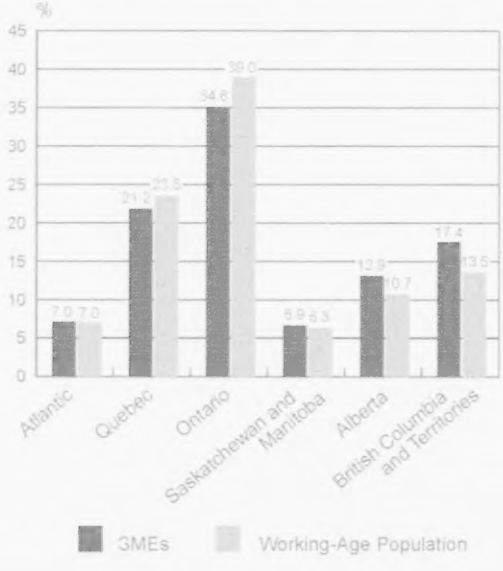
What attributes characterized Canadian SMEs?

The distribution of SMEs by region, sector, size of business and age of business is presented in Figures 1–4.

In 2011, there were approximately 1.1 million employer SMEs in Canada. The location of these enterprises is governed primarily by population density and other factors, such as sector concentration. Figure 1 compares the distribution of SMEs by region. The geographic distribution of SMEs is proportional to the overall distribution of the working-age population, with the majority (55.8 percent) of businesses located in Ontario and Quebec.

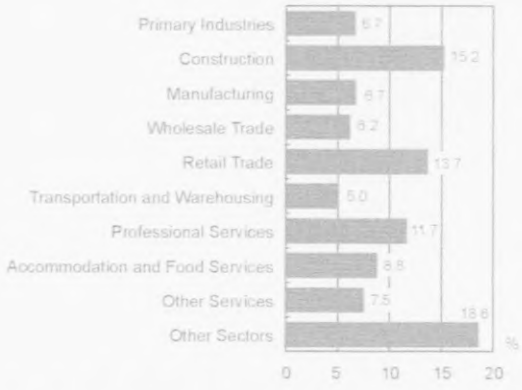
Assessing the sectoral distribution of SMEs within Canada in 2011 revealed that 71.4 percent of SMEs operated in the services sector (Figure 2), including 13.7 percent in retail trade, 11.7 percent in professional services and 18.6 percent in other sectors. The remaining SMEs were in the goods-producing sector (28.6 percent), with 6.7 percent in primary industries, 15.2 percent in construction and 6.7 percent in manufacturing.

Figure 1: Distribution of SMEs and Working-Age Population by Region, 2011



Source: Statistics Canada, Business Register, 2011.

Figure 2: Distribution of SMEs by Sector, 2011

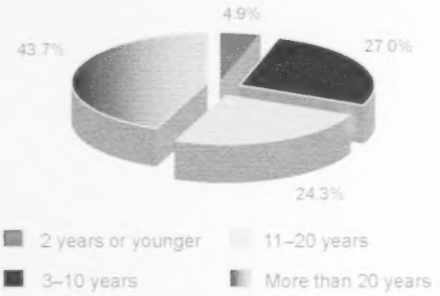


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Note: Other sectors includes health care and social assistance; information and cultural industries; and arts, entertainment and recreation.

Figure 3: Distribution of SMEs by Size of Business, 2011

Figure 4: Distribution of SMEs by Age of Business, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Survey results indicate that small businesses represent the majority (99 percent) of SMEs in Canada (Figure 3). Approximately half (53 percent) were micro-enterprises (1–4 employees), whereas only 1 percent were medium-sized enterprises (100–499 employees).

In 2011, 4.9 percent of SMEs had been in business for 2 years or less (Figure 4), 27 percent for 3 to 10 years and 24.3 percent for 11 to 20 years. About 43.7 percent of SMEs had been in operation for more than 20 years.

What attributes characterized SME business owners?

The distribution of SMEs by education level of owner, age of owner, experience managing a business and primary language is presented in Figures 5–8.

In 2011, the majority of SME owners had some post-secondary education (66.7 percent) (Figure 5). About 32.1 percent of SME owners had a college degree, whereas 23.8 percent of SME owners had a high school diploma. Fewer than 10 percent of SME owners had less than a high school diploma.

About 1.6 percent of SME owners in Canada were less than 30 years of age (Figure 6). Fewer than 11 percent were between 30 and 39 years of age, and approximately half (48.4 percent) of SME owners were between 50 and 64 years of age.

Only 5 percent of SME owners had less than 5 years of management experience (Figure 7). About 18 percent of SME owners had between 5 and 10 years of management experience and 77 percent had 10 years of management experience or more.

Approximately three quarters (78 percent) of SME owners were born in Canada. The majority (61 percent) spoke English as their primary language, while 22 percent spoke French as their primary language (Figure 8).

Figure 5: Distribution of SMEs by Education Level of Owner, 2011

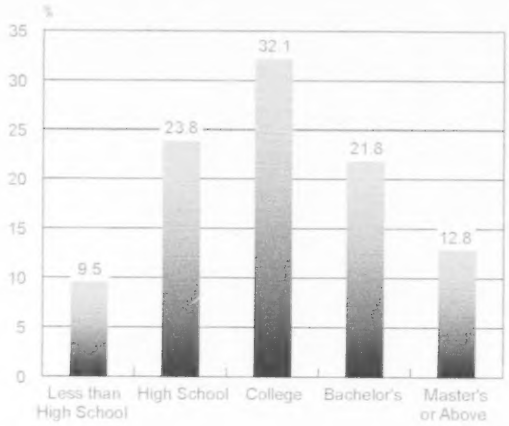
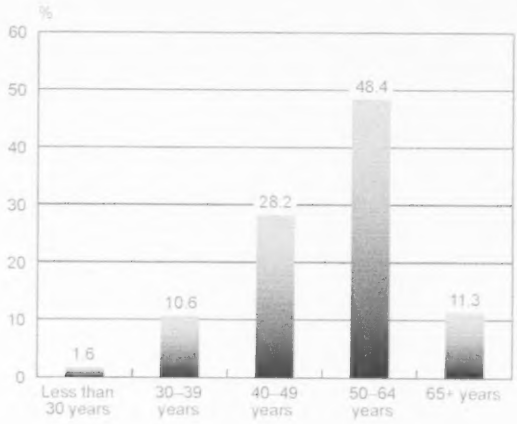


Figure 6: Distribution of SMEs by Age of Owner, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Figure 7: Distribution of SMEs by Experience Managing a Business, 2011

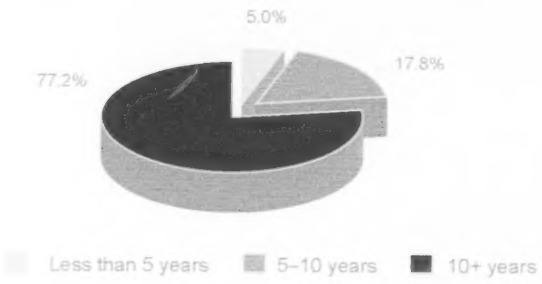
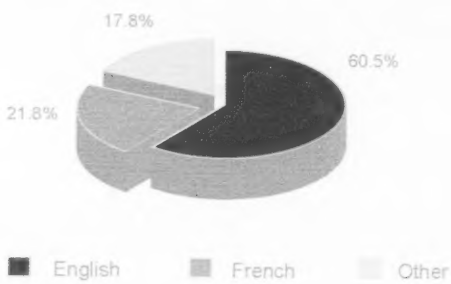


Figure 8: Distribution of SMEs by Primary Language, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

II. Financing Needs

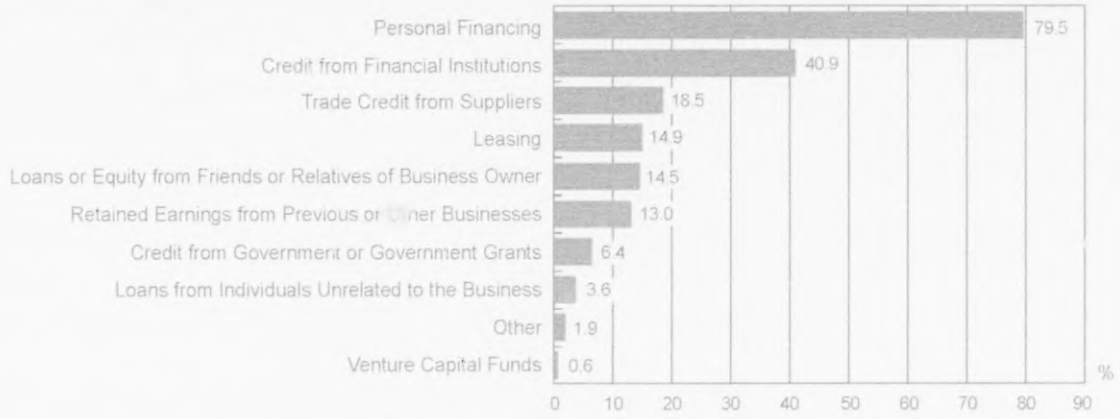
What external sources of financing did Canadian SMEs use in 2011?

The financing needs of firms evolve as they age and grow. In 2011, about 39 percent of start-up businesses requested financing, but only 34 percent of businesses that had been in operation for 20 years or more requested financing. Sources of financing used by SMEs at the start-up stage are not the same as those used by established SMEs that have built up equity and collateral. Sources of financing can be broadly categorized as formal or informal. Informal financing can include owners' savings, personal loans taken out by owners, and loans from friends, family members or employees. Commercial loans, lease financing, supplier credit and government grants can be categorized as formal sources of financing.

Start-up SMEs often lack both a credit history and the collateral needed to secure a loan, thus they represent a degree of risk many financial institutions are not prepared to take. As a result, start-ups typically use informal sources of external financing and rely on owners' personal savings and credit to finance their operations.

The financing instrument most often used by SMEs to support start-up was the personal savings of the business owner (79.5 percent) (Figure 9), followed by credit from financial institutions (40.9 percent). In total, start-up SMEs requested about $500 million in debt financing in 2011, or $70,000 per business. Trade credit from suppliers (18.5 percent), loans from friends/relatives (14.5 percent) and retained earnings from previous or other businesses (13 percent) were also heavily used. About 14.9 percent of SMEs used lease financing to support start-up. In 2011, lease financing requests by start-up SMEs totalled $102 million, or $48,000 per business. Government credit/grants were relied upon by 6.4 percent of SMEs. Only 0.6 percent of SMEs used venture capital financing to support start-up.

Figure 9: Financing Instruments Used for Start-Up, 2011*

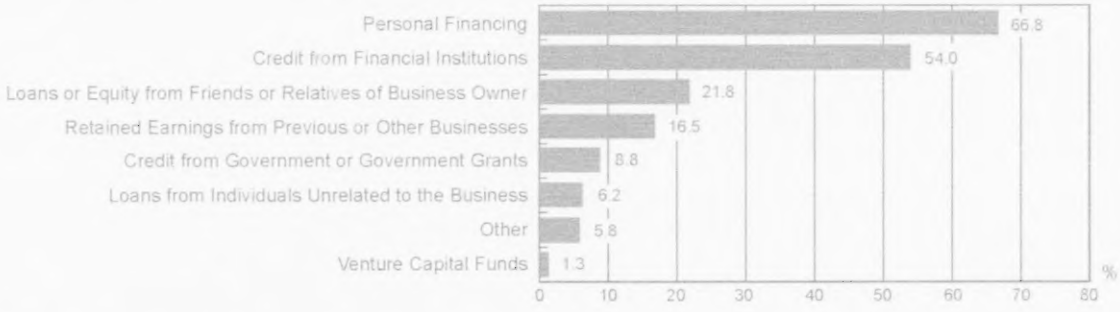


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

*Multiple responses were possible, so estimates will not add up to 100 percent.

Financing instruments used to support business acquisitions[7] included personal financing (66.8 percent), credit from financial institutions (54 percent) and loans/equity from friends (21.8 percent) (Figure 10). These findings confirm the importance of financing not only for start-ups but also for business acquisitions. Retained earnings from previous businesses (16.5 percent) was one other important source of financing for business acquisitions. Other instruments (5.8 percent) and venture capital funds (1.3 percent) were relied upon by only a small percentage of businesses.

Figure 10: Financing Instruments Used for Business Acquisitions, 2011*



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

*Multiple responses were possible, so estimates will not add up to 100 percent.

7. A business action in which the acquiring company buys most, if not all, of the equity of the target company to gain control of the firm.

Businesses require financing not only for acquisitions and start-up, but also for day-to day operations. Figure 11 presents financing instruments used by SMEs for day-to-day operations in Canada in 2007.[8] The most important financing instrument used was commercial or personal loans from financial institutions (64 percent). Informal sources of financing, such as retained earnings (57 percent) and personal savings of business owners (54 percent), were also heavily relied upon for day-to-day operations. Micro-credit (2 percent) and loans from employees (1 percent) were used by some SMEs but, in general, were used only minimally. Government lending was used by 7 percent of SMEs for day-to-day operations.

Figure 11: Financing Instruments Used for Day-to-Day Operations, 2007*

Source: Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

*Multiple responses were possible, so estimates will not add up to 100 percent.

What proportion of SMEs sought external financing?

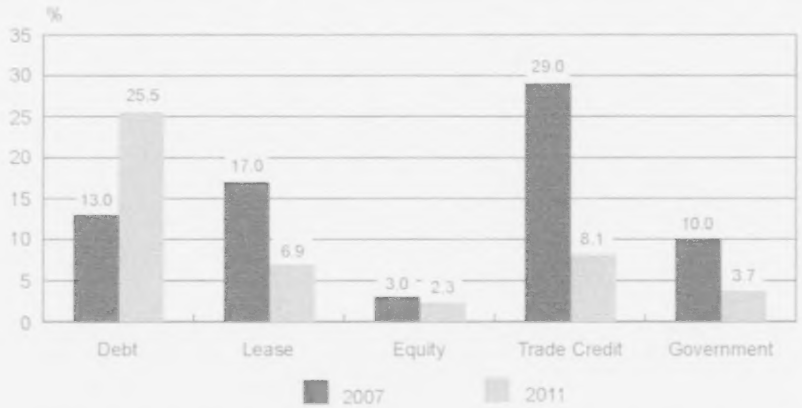
Overall, 36 percent of SMEs requested external financing in 2011. The debt financing request rate was 25.5 percent compared with 13 percent in 2007 (Figure 12).[9] The value of requests totalled over $25 billion, or about $184,000 per business. About 7 percent of SMEs requested lease financing in 2011, a significant drop from 17 percent in 2007. Lease financing requests totalled $2.5 billion, or about $67,000 per business. About 2.3 percent of SMEs requested equity financing and about 8 percent of SMEs requested trade credit. Lastly, about 4 percent of SMEs requested government financing[10] in 2011 compared with 10 percent in 2007.

Among different categories of businesses, those with the greatest requests for financing were generally businesses with more employees, export-oriented businesses and/or innovative businesses

8. These data were not collected in 2011.
9. Request rates are calculated by dividing the number of SMEs that requested financing by the number of SMEs in the survey population.
10. Financing from government or a government lending institution includes direct loans, loan guarantees, grants, subsidies, no-interest loans, non-repayable contributions and equity.

(see Annex, Table 1). They also tended to be businesses that had greater intentions to grow and had greater intentions to expand sales into new domestic and international markets.

Figure 12: Financing Request Rates by Type of Financing, 2007 and 2011

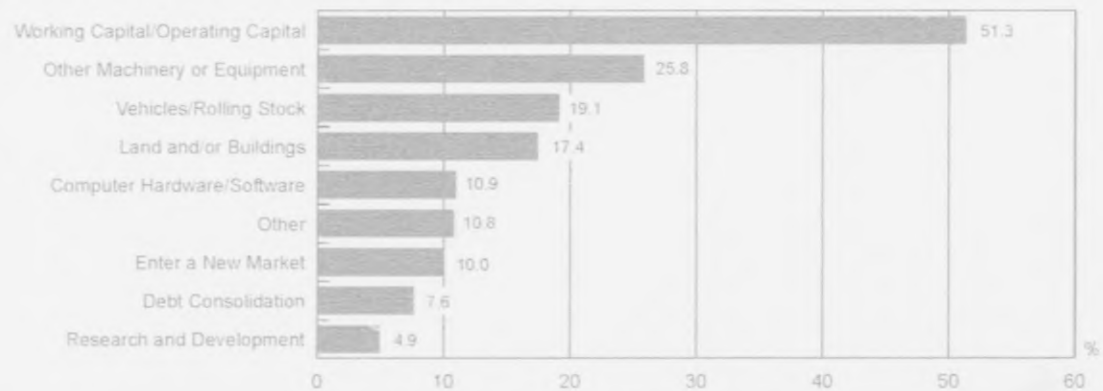


Sources: Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007; Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

For what reasons did SMEs seek external financing?

In 2011, SMEs intended to use debt financing primarily for working capital (51.3 percent), to purchase machinery or equipment (25.8 percent) and to purchase vehicles (19.1 percent) (Figure 13). Other intended uses included purchasing land/buildings (17.4 percent) and computer hardware/software (10.9 percent). To a lesser degree, SMEs intended to use debt financing to fund debt consolidation (7.6 percent) and research and development (4.9 percent).

Figure 13: Intended Uses of Debt Financing, 2011*

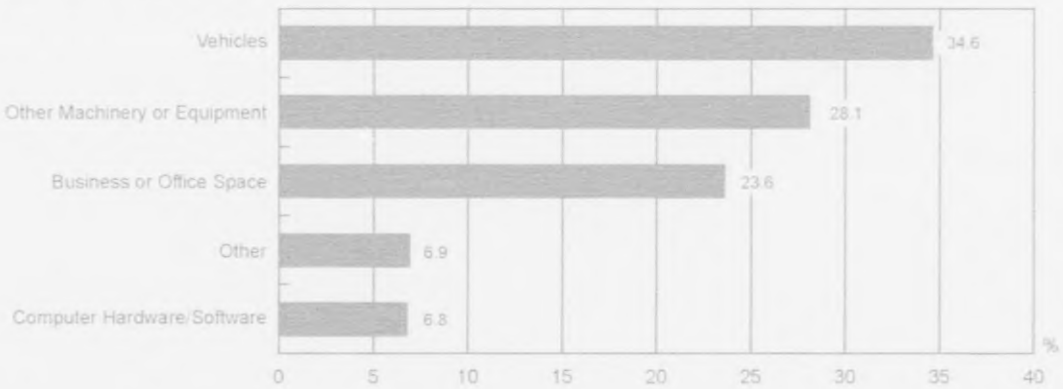


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

*Multiple responses were possible, so estimates will not add up to 100 percent.

SMEs intended to use lease financing primarily to rent vehicles (34.6 percent) and machinery and equipment (28.1 percent), and to rent business or office space (23.6 percent) (Figure 14). To a lesser extent, SMEs intended to use lease financing to rent computer hardware/software (6.8 percent).

Figure 14: Intended Uses of Lease Financing, 2011*

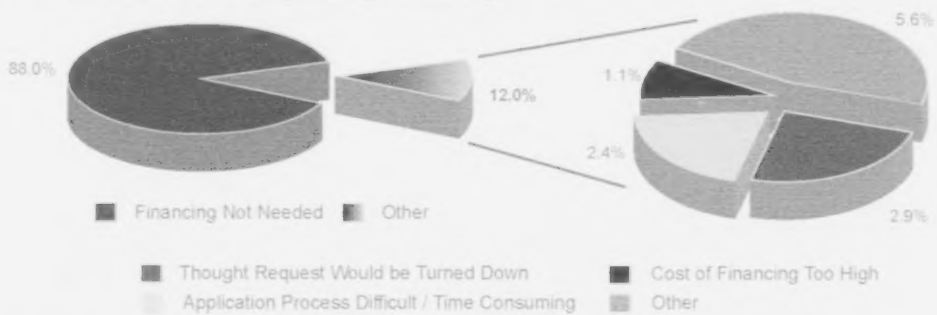


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

For what reasons did SMEs not seek financing?

The main reason cited by business owners for not seeking financing was that it was not needed (88 percent) (Figure 15). This result is almost identical to what was found in previous years. Other reasons were that the application process was too difficult / time consuming (2.4 percent) and that the cost of financing was too high (1.1 percent). As well, 2.9 percent of SMEs did not request financing because they thought their request would be turned down. Such borrowers are known as discouraged borrowers.[11] The absence of discouraged borrowers from the overall request rates could mean that the rates underestimate the true financing needs of SMEs.

Figure 15: Reasons for Not Requesting Financing



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

11. Research suggests that discouraged borrowers may have the ability and information to more realistically assess their chances of approval; thus, they may decide not to apply because they are aware that they are more likely to be denied financing.

It is interesting to note that businesses with some of the greatest financing needs, i.e., young entrepreneurs, exporters and innovators, were also the most discouraged. For instance, about 6.6 percent of businesses that had been in operation for 2 years or less were discouraged compared with only 1.2 percent of businesses that had been in operation for 20 years or more. Similarly, about 3.6 percent of export-oriented businesses were discouraged compared with 2.8 percent of non-exporters (see Annex, Table 1).

From which financial institutions did SMEs seek financing?

The distribution of SME loans by value reveals that domestic chartered banks supplied nearly half (49 percent) of all loans in 2011 (Figure 16).[12] Credit unions / Caisses populaires (17.4 percent) were the second largest suppliers. Finance companies were other important suppliers, providing 14.7 percent of total SME debt.

Most loans, measured by the number of loans, were supplied by domestic chartered banks (71.1 percent), finance companies (12.7 percent) and credit unions / Caisses populaires (9.3 percent) (Figure 17).

Figure 16: Value of Loans by Type of Financial Institution

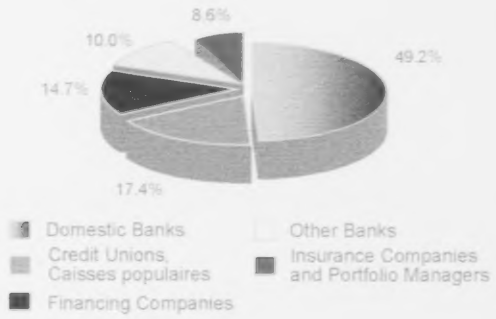
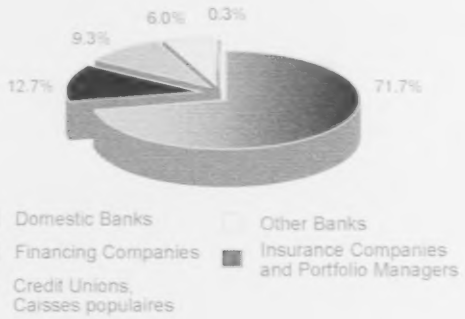


Figure 17: Number of Loans by Type of Financial Institution



Source: Statistics Canada, *Survey of Suppliers of Business Financing*, 2011.

Note: Numbers might not add to 100 percent due to rounding.

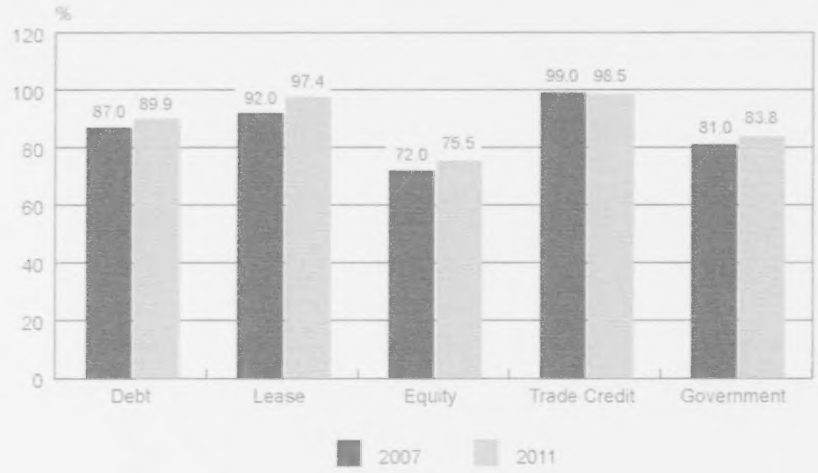
12. For Figures 16 and 17, SMEs are defined as businesses with loan authorization levels below $5 million.

III. Access to Financing for SMEs

How many SMEs received the financing they requested?

Overall, approval rates for SME financing in 2011 were 89.9 percent for debt financing, 97.4 percent for lease financing, 75.5 percent for equity financing, 98.5 percent for trade credit and 83.8 percent for government financing (Figure 18).[13] Since 2007, approval rates have increased across all categories except trade credit. Total approved amounts in 2011 were $23.5 billion, or $172,000 per business, for debt financing; $2.5 billion, or $65,000 per business, for lease financing; and $3.3 billion, $4.1 billion and $2.3 billion for equity, trade credit and government financing or $293,000, $91,000 and $123,000 per business respectively.

Figure 18: Financing Approval Rates



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Overall, debt financing accounted for 65.8 percent of the total value of financing supplied to SMEs in 2011. Lease financing accounted for 7.0 percent, equity financing for 9.2 percent, trade credit for 11.5 percent and government financing for 6.4 percent.

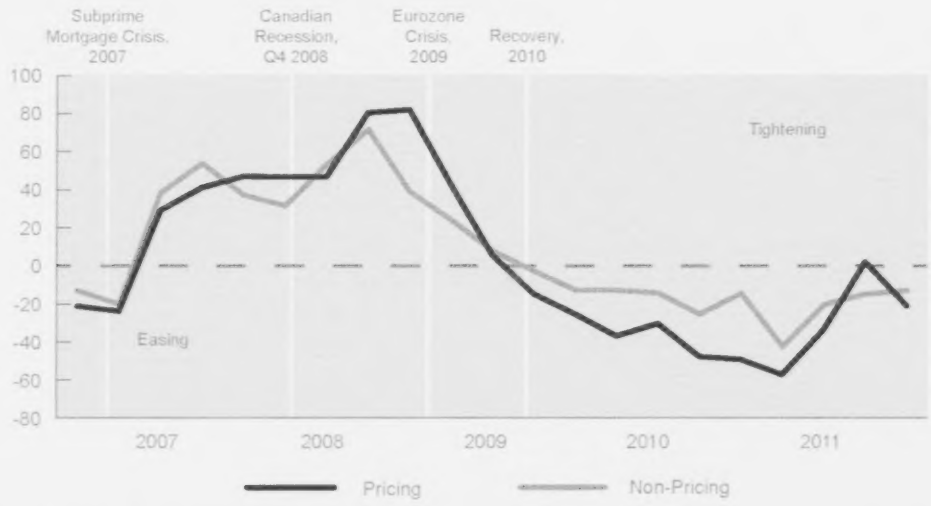
How has access to financing changed between 2007 and 2011?

The results of the Bank of Canada's *Senior Loan Officer Survey* from 2007 to 2011 are presented in Figure 19. The survey gathers the opinions of senior loan officers within select financial institutions. Tightening/easing is measured by a balance of opinion, which is expressed as "tightened" responses

13. Approval rates are calculated by dividing the number of SMEs approved (fully or partially) for financing by the number of SMEs that requested financing.

minus "eased" responses. The balance of opinion measure is separated into price factors and non-price factors. Price factors include interest rates on loans, while non-price factors include general standards or terms of credit, such as collateral.

Figure 19: Pricing and Non-Pricing Lending Conditions



Source: Bank of Canada, *Senior Loan Officer Survey*, 2011.

Due to various economic shocks, credit conditions between 2007 and 2011 were volatile. The U.S. Subprime Mortgage Crisis of 2007, which preceded the Eurozone Crisis, caused lending conditions worldwide to tighten. The Canadian economy was not immediately affected by these crises. By 2007, however, credit markets in Canada did tighten and this continued through most of 2009 as the economy slipped into recession. As the economy began to recover in 2010, credit conditions began to ease and, as of the end of 2011, this easing was continuing.

What types of collateral were requested by debt suppliers?

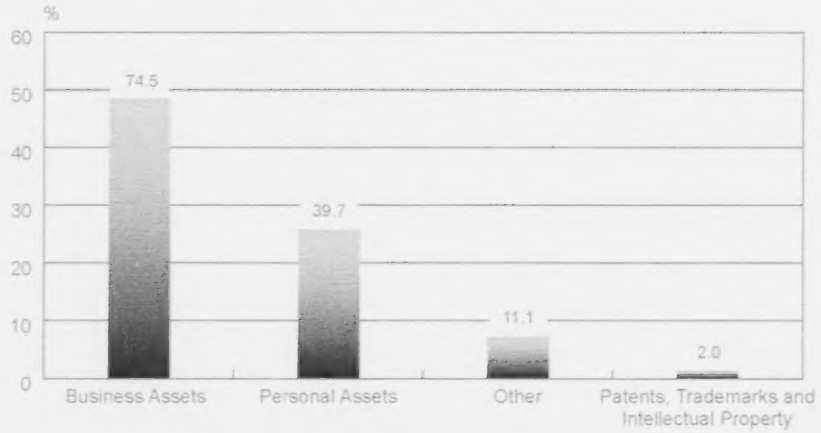
Financial institutions often require SMEs seeking financing to provide collateral as security. Collateral can take the form of land, buildings, or other business or personal assets that can be used as security for the debt. The amount of collateral required is directly linked to the perceived default risk. In 2011, 65 percent of SMEs seeking financing were asked to provide collateral to guarantee their financing compared with 49 percent of SMEs being asked to pledge collateral in 2007, highlighting lenders' stricter underwriting standards in 2011.

Results from 2011 also showed that sector and firm size generally had a bearing on requests for collateral; for example, 76.6 percent of SMEs with 100–499 employees were asked to pledge collateral compared with 63.2 percent of SMEs with 1–4 employees. Furthermore, 36 percent

of SMEs operating in the accommodation and food services sector were asked to pledge collateral compared with 82.3 percent of SMEs operating in the primary sector. One factor explaining the low request rates for collateral in some sectors is that businesses in those sectors sought less mortgage and term financing and more credit cards and lines of credit as credit cards and lines of credit are financing instruments that are more easily obtainable without security.

Business assets were the main (74.5 percent) type of collateral pledged by SMEs in 2011, followed by personal assets of business owners (39.7 percent), other types of collateral (11.1 percent) and intellectual property (2 percent) (Figure 20).

Figure 20: Types of Collateral Pledged, 2011*



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

*Multiple responses were possible, so estimates will not add up to 100 percent.

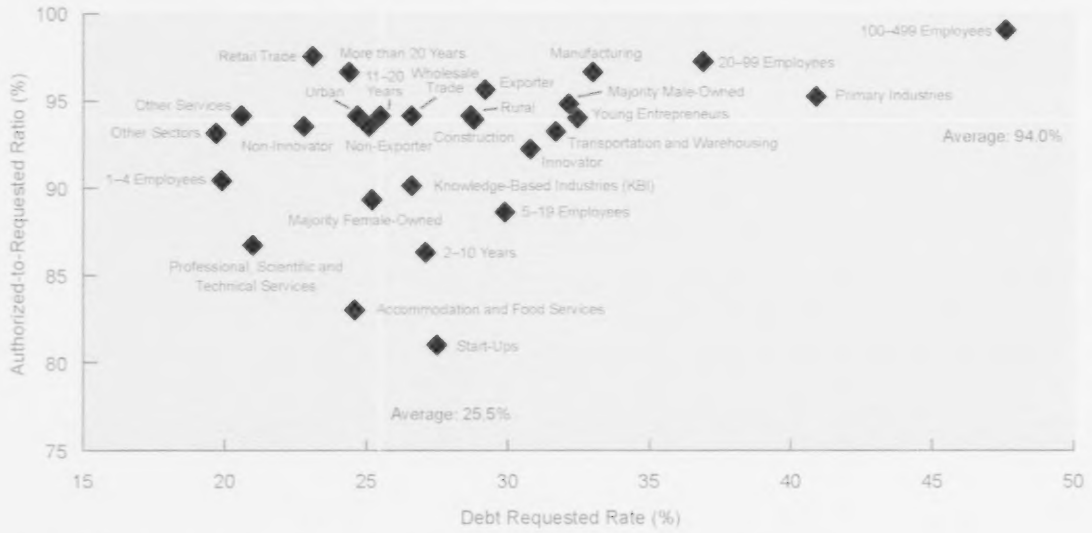
It is interesting to note that some categories of businesses that were more likely to be asked to pledge collateral were also more likely to benefit from a lower interest rate on loans. For instance, while 82.3 percent of businesses in the primary sector were asked to pledge collateral compared with 36 percent of businesses in the accommodation and food services sector, businesses in the primary sector also paid, on average, a 1.5-percent lower interest rate on their loans. Similarly, while 76.6 percent of businesses with 100–499 employees were asked to pledge collateral compared with 63.2 percent of businesses with 1–4 employees, businesses with 100–499 employees paid, on average, a 2.3-percent lower interest rate on their loans.

For which type of SME was debt financing most difficult to obtain?

The debt request rate is compared with the authorized-to-requested ratio by sector, size of business, owner gender, export orientation, business age and innovation activity in Figure 21. The average request rate across all SMEs in 2011 was 25.5 percent and the average authorized-to-requested ratio was 94 percent.

Start-ups (businesses 2 years or younger) had more difficulty accessing the financing they needed with a request rate of approximately 27.5 percent and an authorized-to-requested ratio of approximately 81 percent. In addition, young businesses (businesses between 2 and 10 years old) had a request rate of 27.1 percent and a ratio of 86.3 percent. The accommodation and food services sector had the lowest authorized-to-requested ratio at 83 percent. Majority female-owned businesses (50 percent to 100 percent ownership) had a request rate of 25.2 percent and an authorized-to-requested ratio of 89.3 percent, whereas majority male-owned businesses had a request rate of 32.2 percent and an authorized-to-requested ratio of 94.7 percent. Businesses with more employees and those in the primary and manufacturing sectors had the least difficulty accessing financing.

Figure 21: Authorized-to-Requested Ratio versus Debt Request Rate by Category of SME, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011

It is interesting to note that businesses that faced the greatest difficulty accessing financing, i.e., start-ups, small businesses, knowledge-based businesses, accommodation and food services businesses, and professional services businesses, also tended to have less collateral to pledge as security.

For what reasons were SMEs denied debt financing?

Insufficient collateral was the most common reason cited by business owners for being denied debt financing (47.6 percent) (Figure 22). Project riskiness (36.8 percent) and insufficient sales or cash flow (35.9 percent) were two other common reasons cited for being denied financing. Operating in an unstable industry (31.4 percent) or a poor credit history or lack of a credit history

(21.4 percent) were also frequently cited. Operating in an unstable industry was a particular issue in the accommodation and food services sector where 86 percent of SMEs denied financing were denied because the sector was considered too unstable.

Figure 22: Reasons SMEs Were Denied Debt Financing, 2011*

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

*Multiple responses were possible, so estimates will not add up to 100 percent.

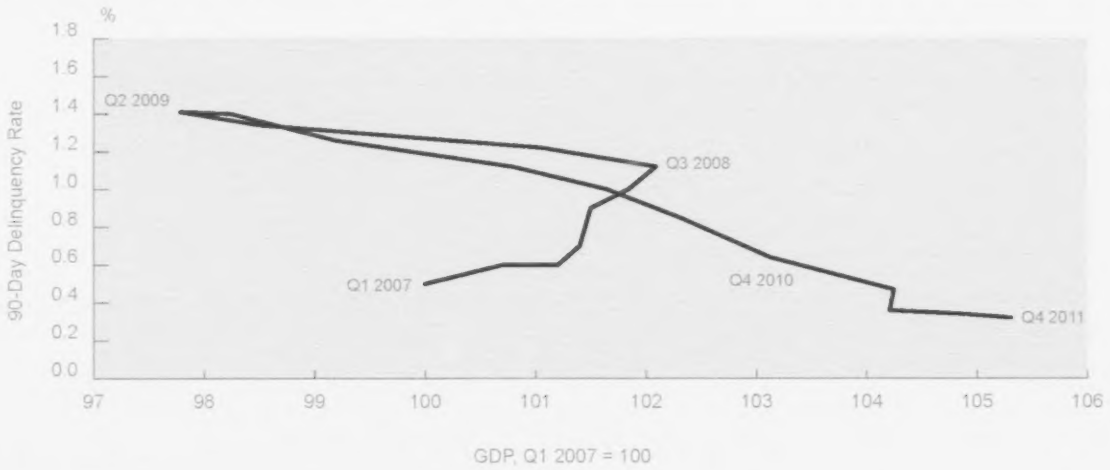
What percentage of SMEs were delinquent on their loan repayments?

Delinquent firms are firms that are late in making principal and/or interest payments to lenders. SME 90-day delinquency rates are presented in relation with gross domestic product for the 2007–2011 period in Figure 23. This figure is particularly useful for highlighting SME liquidity issues.

In Q1 2007, prior to the recession, the SME delinquency rate was 0.53 percent. As the recession unfolded, many SMEs started to experience liquidity issues. Consequently, SME delinquency rates started to climb and reached a high of 1.41 percent in Q2 2009. Rates remained high throughout most of 2009 and the early part of 2010. As the economy picked up, however, delinquency rates fell and by the end of 2011 had returned to pre-recession levels (0.32 percent).

Considering the full 2007–2011 period, small business 90-day delinquency rates averaged 0.96 percent compared with 0.22 percent for medium-sized businesses. This helps explain why small businesses had a lower loan approval rate and authorized-to-requested ratio than medium-sized businesses. Above average 90-day delinquency rates for businesses in the accommodation and food services sector (1.99 percent) also help explain why businesses in this sector faced relatively greater difficulty accessing financing.

Figure 23: SME 90-Day Delinquency Rate, 2007–2011



Sources: PayNet Inc., Statistics Canada and Industry Canada calculations.

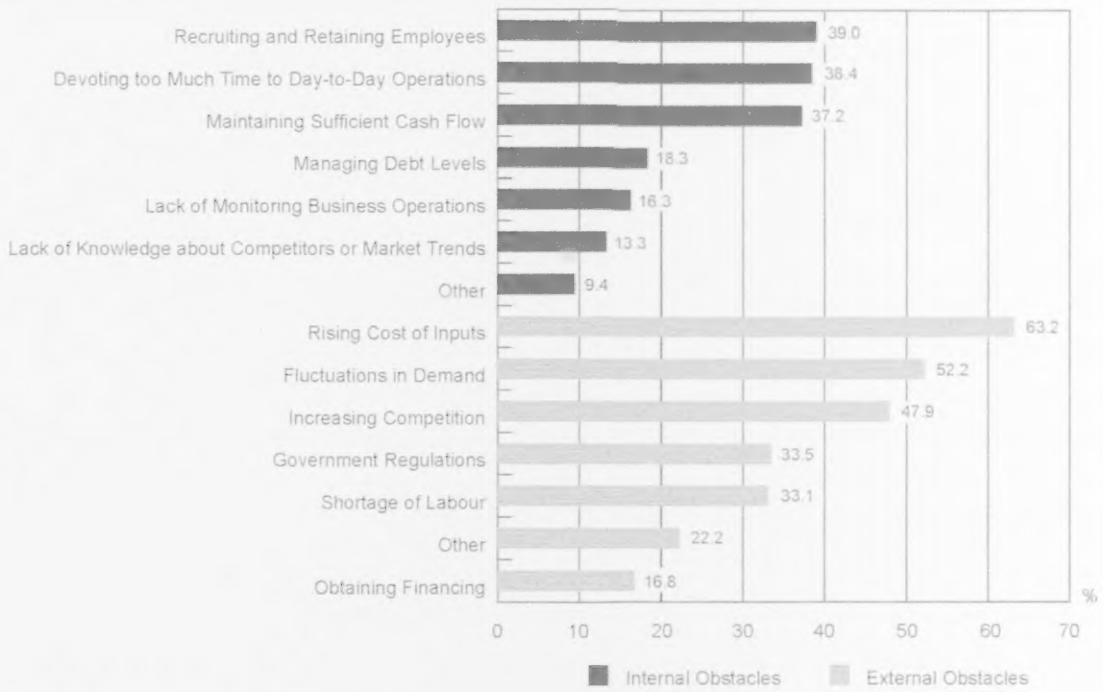
To what extent was access to financing an obstacle to SME growth?

Internal and external obstacles to growth for Canadian SMEs are compared in Figure 24. The most significant internal obstacle was recruiting/retaining employees (39 percent). It was a particular challenge for medium-sized businesses, with 57.2 percent identifying it as an obstacle to growth. It was also a major barrier for businesses in the accommodation and food services sector, with 58.3 percent of businesses in this sector identifying it as an obstacle. Devoting too much time to day-to-day operations was another significant obstacle to growth (38.4 percent). Maintaining sufficient cash flow (37.2 percent), managing debt levels (18.3 percent) and insufficient monitoring of business operations (16.3 percent) were also identified as significant obstacles to growth, particularly by Canada's young businesses and innovative businesses. While being of greater concern to businesses in the knowledge-based industries sector, SMEs overall felt that a lack of knowledge about competitors / market trends (13.3 percent) was the internal obstacle of least concern.

Among businesses of all sizes and across almost all sectors, the greatest external obstacle to growth was the rising cost of inputs (63.2 percent). Only within the professional, scientific and technical services sector were firms more concerned with fluctuations in demand. Overall, increasing competition was another significant external obstacle to growth (47.9 percent). This was of particular concern to businesses in the wholesale trade, retail trade, and accommodation and food services sectors. About 33.5 percent of SMEs reported that government regulations were a significant obstacle to growth. Lastly, while SMEs overall felt that obtaining financing

was the external obstacle of least concern, it was still significant at 16.8 percent. This percentage was almost identical to that found in 2007. SMEs that considered obtaining financing to be of relatively greater concern were generally small, young, innovative, or export and/or growth oriented.

Figure 24: Obstacles to Growth*



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

*Multiple responses were possible, so estimates will not add up to 100 percent.

It is also interesting to note that some categories of businesses that were more likely to request financing, i.e., manufacturing businesses, young entrepreneurs, start-ups and innovators, were also more likely to cite access to financing as an obstacle to growth.

Conclusion

The findings in this report confirm that SMEs have substantial financing needs. Information gathered from almost 10,000 survey respondents showed that 36 percent of SMEs requested external financing in 2011 and received almost $36 billion in capital. Debt represented the main type of financing sought. Businesses with the highest financing request rates were generally businesses with more employees, export-oriented businesses, young entrepreneurs and/or innovative businesses. They were also more inclined to want to grow and had greater intentions to expand sales into new domestic and international markets. Results also show that a company's ability to access financing varied depending upon its age, sector and level of innovative intensity. Companies facing the greatest difficulty accessing financing were start-ups, innovators and those in the accommodation and food services sector. Data revealed that businesses with less collateral available to pledge as security and businesses operating in sectors with relatively higher loan delinquency rates also faced greater difficulty accessing financing.

The survey's detailed findings point toward the opportunity for more in-depth study. Research projects will continue to be developed based on the survey data to further improve the government's understanding of SME financing issues and to support policy development.

Annex: Survey Data

Table 1: External Financing Request Rates and Reasons for Not Seeking External Financing

		Requested external financing in 2011	Did not request external financing in 2011	Reason for not requesting external financing in 2011				
				Financing not needed	Thought request would be turned down	Applying for financing too difficult or time consuming	Cost of financing too high	Other
		Percentage						
All SMEs	1–499 employees	36.0	64.0	88.0	2.9	2.4	1.1	5.6
Employment Size (number of employees)	1–4	28.8	71.2	87.7	3.4	2.4	1.0	5.5
	5–19	41.7	58.3	87.7	2.3	2.6	1.4	6.1
	20–99	51.1	48.9	91.1	X	X	X	5.2
	100–499	60.7	39.3	95.0	X	X	X	1.7
Region	Atlantic	35.5	64.5	86.9	2.8	4.8	1.3	4.3
	Quebec	36.1	63.9	88.9	3.2	2.0	1.3	4.6
	Ontario	35.0	65.0	88.9	3.0	2.3	1.1	4.7
	Prairies	40.3	59.7	88.9	2.7	1.9	1.1	5.4
	British Columbia and Territories	33.3	66.7	84.9	2.3	2.4	1.0	9.4
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	51.6	48.4	89.8	2.4	X	X	5.9
	Construction (NAICS 23)	41.3	58.7	90.0	2.3	X	X	5.4
	Manufacturing (NAICS 31-33)	45.1	54.9	86.7	3.4	1.7	1.9	6.3
	Wholesale Trade (NAICS 41)	40.7	59.3	87.6	2.3	2.6	1.3	6.3
	Retail Trade (NAICS 44-45)	33.6	66.4	85.7	4.2	3.3	1.6	5.3
	Transportation and Warehousing (NAICS 48-49)	43.9	56.1	88.6	5.1	1.7	1.5	3.2
	Professional, Scientific and Technical Services (NAICS 54)	28.6	71.4	92.1	1.3	X	X	3.8
	Accommodation and Food Services (NAICS 72)	34.4	65.6	79.6	4.1	X	X	11.9
	Other Services (NAICS 81)	31.6	68.4	84.0	4.6	4.8	1.3	5.2
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	28.2	71.8	90.8	1.7	1.9	0.9	4.7
	Knowledge-Based Industries	36.3	63.7	90.2	X	X	X	3.9
Location	Rural	38.5	61.5	86.9	3.5	2.6	1.5	5.6
	Urban	35.4	64.6	88.3	2.7	2.3	1.1	5.6
Export Status	Exporter	44.3	55.7	89.6	3.6	1.7	1.7	3.4
	Non-exporter	35.1	64.9	87.9	2.8	2.4	1.1	5.9

		Requested external financing in 2011	Did not request external financing in 2011	Reason for not requesting external financing in 2011				
				Financing not needed	Thought request would be turned down	Applying for financing too difficult or time consuming	Cost of financing too high	Other
		Percentage						
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	39.0	61.0	83.8	6.6	X	X	6.8
	2002–2009 (2–10 years old)	37.1	62.9	84.1	4.8	2.4	1.6	7.1
	1992–2001 (11+ years old)	37.9	62.1	87.3	3.0	X	X	5.3
	Prior to 1992 (more than 20 years)	34.0	66.0	91.1	1.2	1.8	1.0	4.8
Innovation Activities Developed or Introduced	New or significantly improved good or service	44.6	55.4	86.8	3.0	3.2	1.8	5.2
	New or significantly improved process or method	46.1	53.9	86.2	3.3	3.5	0.7	6.3
	New organizational method in firm's business practices, workplace organization or external relations	45.2	54.8	84.2	4.0	3.8	1.4	6.5
	New way of selling goods or services	46.5	53.5	84.7	3.7	2.6	1.3	7.7
	At least one of the four above innovations	43.6	56.4	86.8	3.1	2.7	1.4	6.0
	Non-innovator (none of the above)	32.0	68.0	88.7	2.8	2.0	1.1	5.4
Owner's Age (years)	<30	43.5	56.5	85.2	X	0.0	X	X
	30–39	43.6	56.4	87.6	2.9	2.4	X	X
	40–49	39.2	60.8	87.3	3.2	3.6	1.1	4.8
	50–64	34.4	65.6	88.7	2.9	1.8	1.2	5.4
	65+	26.8	73.2	87.7	X	2.1	X	7.4
Female Ownership (%)	0	36.0	64.0	88.5	2.7	2.0	0.8	6.1
	1–49	43.8	56.2	91.6	X	X	X	X
	50	36.6	63.4	87.9	4.0	2.6	1.3	4.3
	51–99	34.2	65.8	91.1	X	X	X	X
	100	28.5	71.5	83.3	4.2	3.9	0.8	7.9
Highest Level of Education Attained by Owner	Less than high school	40.4	59.6	88.0	3.2	2.0	1.2	5.6
	High school	34.3	65.7	84.9	3.7	3.5	1.2	6.7
	College/CEGEP/trade school	38.9	61.1	88.6	3.1	2.3	1.2	4.8
	Bachelor's degree	37.0	63.0	87.9	2.5	1.5	1.2	6.9
	Master's degree or above	27.2	72.8	92.1	1.3	2.0	0.8	3.7

* North American Industry Classification System (NAICS).

Note: "X" indicates estimates were suppressed to meet confidentiality requirements of the *Statistics Act* or due to poor quality.

Table 2: Debt Financing

		Requested debt financing in 2011	Overall approval rate (full or partial)	Total amount authorized-to-requested
		Percentage		
All SMEs	1–499 employees	25.5	89.9	94.0
Employment Size (number of employees)	1–4	19.9	88.4	90.4
	5–19	29.9	88.5	88.6
	20–99	36.9	97.1	97.2
	100–499	47.6	97.7	99.0
Region	Atlantic	24.2	88.8	94.5
	Quebec	29.3	89.1	94.2
	Ontario	23.3	85.9	91.7
	Prairies	28.3	94.4	97.2
	British Columbia and Territories	22.8	93.6	93.9
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	40.9	96.7	95.2
	Construction (NAICS 23)	28.8	89.5	93.9
	Manufacturing (NAICS 31-33)	33.0	93.7	96.6
	Wholesale Trade (NAICS 41)	26.6	92.3	94.1
	Retail Trade (NAICS 44-45)	23.1	91.0	97.5
	Transportation and Warehousing (NAICS 48-49)	31.7	88.5	93.2
	Professional, Scientific and Technical Services (NAICS 54)	21.0	87.0	86.7
	Accommodation and Food Services (NAICS 72)	24.6	85.5	83.0
	Other Services (NAICS 81)	20.6	90.5	94.1
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	19.7	86.2	93.1
	Knowledge-Based Industries	26.6	X	90.1
Location	Rural	28.7	92.2	94.1
	Urban	24.7	89.2	94.0
Export Status	Exporter	29.2	93.0	95.6
	Non-exporter	25.1	89.5	93.6

		Requested debt financing in 2011	Overall approval rate (full or partial)	Total amount authorized-to-requested
		Percentage		
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	27.5	75.8	81.0
	2002–2009 (2–10 years old)	27.1	85.1	86.3
	1992–2001 (11+ years old)	25.5	92.6	94.1
	Prior to 1992 (more than 20 years)	24.4	93.5	96.6
Innovation Activities Developed or Introduced	New or significantly improved good or service	31.9	85.8	89.6
	New or significantly improved process or method	32.7	92.1	95.1
	New organizational method in firm's business practices, workplace organization or external relations	32.3	85.4	92.8
	New way of selling goods or services	31.1	87.6	92.3
	At least one of the four above innovations	30.8	89.3	92.2
	Non-innovator (none of the above)	22.8	90.6	93.5
Owner's Age (years)	<30	35.5	X	93.3
	30–39	32.0	89.4	94.0
	40–49	28.4	88.6	94.7
	50–64	23.9	90.2	93.7
	65+	17.9	96.3	93.6
Female Ownership (%)	0	25.2	90.0	95.4
	1–49	32.2	95.7	94.7
	50	26.6	92.6	94.5
	51–99	25.2	X	89.3
	100	19.1	77.4	80.5
Highest Level of Education Attained by Owner	Less than high school	30.8	89.5	93.0
	High school	24.6	89.3	94.2
	College/CEGEP/trade school	26.6	89.7	90.3
	Bachelor's degree	26.1	91.2	96.6
	Master's degree or above	19.8	89.9	94.7

*North American Industry Classification System (NAICS)

Note: "X" indicates estimates were suppressed to meet confidentiality requirements of the *Statistics Act* or due to poor quality.

Table 3: Lease Financing

		Requested lease financing in 2011	Overall approval rate (full or partial)	Total amount authorized-to-requested
		Percentage		
All SMEs	1–499 employees	6.9	97.4	96.2
Employment Size (number of employees)	1–4	4.3	98.3	98.4
	5–19	8.4	95.7	93.0
	20–99	13.7	X	98.0
	100–499	17.1	X	97.6
Region	Atlantic	5.2	X	99.9
	Quebec	4.1	91.1	87.1
	Ontario	6.8	97.0	95.7
	Prairies	9.3	X	98.6
	British Columbia and Territories	8.2	X	97.9
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	6.6	97.8	98.3
	Construction (NAICS 23)	7.4	X	98.2
	Manufacturing (NAICS 31-33)	7.7	90.6	82.8
	Wholesale Trade (NAICS 41)	9.9	X	87.9
	Retail Trade (NAICS 44-45)	5.7	X	99.9
	Transportation and Warehousing (NAICS 48-49)	12.7	99.2	96.8
	Professional, Scientific and Technical Services (NAICS 54)	6.5	X	97.3
	Accommodation and Food Services (NAICS 72)	4.7	X	99.9
	Other Services (NAICS 81)	4.7	X	97.9
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	6.6	X	99.4
	Knowledge-Based Industries	6.7	X	75.2
Location	Rural	5.5	99.7	97.2
	Urban	7.2	97.0	96.0
Export Status	Exporter	10.1	95.7	95.2
	Non-exporter	6.5	97.8	96.5

		Requested lease financing in 2011	Overall approval rate (full or partial)	Total amount authorized-to-requested
		Percentage		
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	7.6	X	75.7
	2002–2009 (2–10 years old)	6.9	97.6	97.7
	1992–2001 (11+ years old)	9.0	X	93.9
	Prior to 1992 (more than 20 years)	5.6	98.4	98.7
Innovation Activities Developed or Introduced	New or significantly improved good or service	8.2	94.7	91.5
	New or significantly improved process or method	8.8	96.4	95.9
	New organizational method in firm's business practices, workplace organization or external relations	9.9	97.4	97.2
	New way of selling goods or services	9.7	97.2	96.4
	At least one of the four above innovations	8.5	96.4	94.4
	Non-innovator (none of the above)	6.1	98.1	97.7
Owner's Age (years)	<30	5.8	100.0	100.0
	30–39	9.3	97.0	87.7
	40–49	7.6	95.9	95.5
	50–64	6.4	98.1	98.4
	65+	4.8	X	97.7
Female Ownership (%)	0	6.9	98.1	97.0
	1–49	8.6	X	97.8
	50	7.2	X	95.7
	51–99	7.3	80.9	72.1
	100	4.5	X	99.9
Highest Level of Education Attained by Owner	Less than high school	8.2	X	93.3
	High school	6.5	X	99.2
	College/CEGEP/trade school	6.9	99.2	98.4
	Bachelor's degree	6.9	95.2	95.9
	Master's degree or above	6.3	X	87.9

*North American Industry Classification System (NAICS).

Note: "X" indicates estimates were suppressed to meet confidentiality requirements of the *Statistics Act* or due to poor quality.

Table 4: Trade, Equity and Government Financing

		Requested trade credit financing in 2011	Requested equity financing in 2011	Requested government financing in 2011
		Percentage		
All SMEs	1–499 employees	8.1	2.3	3.7
Employment Size (number of employees)	1–4	5.5	1.2	2.3
	5–19	9.6	3.4	4.6
	20–99	15.0	4.2	6.9
	100–499	19.1	3.6	8.4
Region	Atlantic	11.2	1.7	4.9
	Quebec	2.0	1.5	6.4
	Ontario	10.4	2.9	3.5
	Prairies	9.5	2.5	2.6
	British Columbia and Territories	8.1	2.2	1.4
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	5.8	1.7	11.4
	Construction (NAICS 23)	12.8	2.7	2.1
	Manufacturing (NAICS 31-33)	13.7	3.4	8.0
	Wholesale Trade (NAICS 41)	14.0	2.9	2.4
	Retail Trade (NAICS 44-45)	8.4	1.9	2.3
	Transportation and Warehousing (NAICS 48-49)	8.4	2.1	2.9
	Professional, Scientific and Technical Services (NAICS 54)	3.8	1.9	4.3
	Accommodation and Food Services (NAICS 72)	6.0	3.3	3.4
	Other Services (NAICS 81)	7.5	2.2	2.7
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	4.7	1.8	2.4
	Knowledge-Based Industries	5.1	3.3	8.7
Location	Rural	7.4	1.5	5.0
	Urban	8.3	2.5	3.3
Export Status	Exporter	11.5	4.1	9.7
	Non-exporter	7.7	2.1	3.0

		Requested trade credit financing in 2011	Requested equity financing in 2011	Requested government financing in 2011
		Percentage		
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	6.3	4.6	6.9
	2002–2009 (2–10 years old)	7.9	3.4	3.3
	1992–2001 (11+ years old)	8.6	1.9	3.1
	Prior to 1992 (more than 20 years)	8.1	1.6	3.9
Innovation Activities Developed or Introduced	New or significantly improved good or service	10.6	4.6	6.3
	New or significantly improved process or method	13.8	2.8	6.9
	New organizational method in firm's business practices, workplace organization or external relations	12.3	3.7	5.5
	New way of selling goods or services	13.4	3.0	5.6
	At least one of the four above innovations	10.9	3.4	5.2
	Non-innovator (none of the above)	6.7	1.6	2.8
Owner's Age (years)	<30	3.4	2.0	6.6
	30–39	9.8	2.4	4.3
	40–49	8.3	2.7	3.6
	50–64	8.2	2.1	3.8
	65+	6.0	2.1	2.4
Female Ownership (%)	0	8.2	2.2	3.7
	1–49	10.4	2.8	5.2
	50	8.1	2.1	3.3
	51–99	6.3	2.2	4.8
	100	6.0	2.8	2.3
Highest Level of Education Attained by Owner	Less than high school	7.0	2.8	4.3
	High school	7.3	1.1	2.9
	College/CEGEP/trade school	9.9	2.4	3.3
	Bachelor's degree	8.7	3.0	5.2
	Master's degree or above	5.0	2.6	2.9

*North American Industry Classification System (NAICS).

Table 5: External Obstacles to Business Growth

		Shortage of labour	Fluctuations in demand for products or services	Obtaining financing	Government regulations	Rising cost of inputs	Increasing competition	Other
		Percentage						
All SMEs	1–499 employees	33.1	52.2	16.8	33.5	63.2	47.9	22.2
Employment Size (number of employees)	1–4	25.9	53.7	15.6	30.3	60.8	44.6	20.5
	5–19	40.7	49.9	18.8	36.1	65.3	50.8	24.0
	20–99	42.1	53.1	16.5	40.5	69.4	53.7	23.7
	100–499	45.6	42.0	12.9	36.9	55.9	56.2	24.6
Region	Atlantic	27.6	54.8	18.2	40.2	82.0	37.5	24.5
	Quebec	35.0	35.9	17.6	33.1	48.3	45.4	21.1
	Ontario	27.9	57.5	17.7	33.9	67.6	52.8	24.4
	Prairies	43.9	49.9	13.3	26.9	62.7	46.4	17.1
	British Columbia and Territories	31.0	63.1	17.4	37.9	65.9	46.9	23.9
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	34.5	51.2	15.3	52.1	77.2	38.8	25.9
	Construction (NAICS 23)	38.3	57.9	14.5	34.7	62.3	48.3	19.1
	Manufacturing (NAICS 31-33)	37.2	62.8	22.6	32.9	64.9	45.3	24.9
	Wholesale Trade (NAICS 41)	25.2	61.6	15.3	27.9	66.6	59.6	27.0
	Retail Trade (NAICS 44-45)	29.0	45.4	13.4	31.5	64.3	52.2	22.5
	Transportation and Warehousing (NAICS 48-49)	39.3	52.2	14.7	43.5	81.1	49.2	20.5
	Professional, Scientific and Technical Services (NAICS 54)	30.6	53.2	14.3	22.5	41.5	44.9	21.9
	Accommodation and Food Services (NAICS 72)	47.2	40.6	23.3	43.7	86.0	53.3	25.4
	Other Services (NAICS 81)	37.5	45.7	19.5	31.5	62.5	35.7	22.1
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	23.9	53.4	17.8	29.4	54.9	48.5	19.6
	Knowledge-Based Industries	29.6	55.1	19.0	17.0	41.7	47.6	22.3
Location	Rural	36.8	48.4	16.4	39.2	69.9	40.5	20.9
	Urban	32.1	53.2	16.9	32.0	61.5	49.8	22.5
Export Status	Exporter	33.1	62.8	20.3	33.2	59.1	51.8	30.4
	Non-exporter	33.1	50.9	16.4	33.5	63.7	47.4	21.2

		Shortage of labour	Fluctuations in demand for products or services	Obtaining financing	Government regulations	Rising cost of inputs	Increasing competition	Other
		Percentage						
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	34.9	51.3	25.8	30.6	67.9	43.0	23.5
	2002–2009 (2–10 years old)	32.6	54.6	21.8	30.6	64.3	46.2	21.4
	1992–2001 (11+ years old)	32.3	51.5	18.1	36.5	61.1	48.9	22.4
	Prior to 1992 (more than 20 years)	33.6	51.2	11.9	33.8	64.5	48.9	22.3
Innovation Activities Developed or Introduced	New or significantly improved good or service	33.3	56.7	22.0	35.5	66.8	51.5	29.0
	New or significantly improved process or method	42.9	53.9	21.0	36.9	69.2	48.9	30.6
	New organizational method in firm's business practices, workplace organization or external relations	39.0	50.0	25.4	41.2	64.9	52.5	30.5
	New way of selling goods or services	35.3	61.2	25.1	38.2	68.1	55.6	34.4
	At least one of the four above innovations	35.6	56.2	20.6	35.9	66.4	52.0	29.2
	Non-innovator (none of the above)	30.9	50.4	14.1	31.4	60.5	44.2	18.1
Owner's Age (years)	<30	33.8	52.2	31.3	23.4	57.4	46.2	12.9
	30–39	39.4	51.5	27.9	36.1	64.6	48.4	17.5
	40–49	35.9	51.6	18.1	31.0	68.0	55.0	23.2
	50–64	31.6	53.9	13.8	35.6	62.3	45.4	23.6
	65+	26.6	47.1	13.6	29.3	55.0	40.7	18.9
Female Ownership (%)	0	33.2	52.2	17.4	34.1	61.9	48.3	21.9
	1–49	34.0	53.6	12.2	35.1	63.0	51.2	21.8
	50	32.8	54.8	17.5	34.8	66.4	45.7	23.1
	51–99	32.6	54.3	12.4	24.6	75.6	39.2	28.1
	100	32.4	47.0	18.2	28.9	62.9	47.2	21.5
Highest Level of Education Attained by Owner	Less than high school	36.0	44.2	19.1	35.0	65.2	43.2	19.8
	High school	34.0	51.6	16.7	33.7	67.7	48.9	19.3
	College/CEGEP/trade school	37.2	54.5	16.9	37.6	67.1	48.1	23.6
	Bachelor's degree	32.0	54.2	19.2	30.9	58.0	50.8	25.1
	Master's degree or above	20.7	49.9	10.7	25.9	52.7	43.9	20.7

*North American Industry Classification System (NAICS).

Table 6: Internal Obstacles to Business Growth

		Managing debt level	Maintaining sufficient cash flow	Lack of monitoring business operations to make improvements	Lack of knowledge about competitors or market trends	Devoting too much time to day-to-day operations	Recruiting and retaining employees	Other
		Percentage						
All SMEs	1–499 employees	18.3	37.2	16.3	13.3	38.4	39.0	9.4
Employment Size (number of employees)	1–4	16.7	35.3	13.5	12.8	35.7	29.7	8.8
	5–19	21.2	40.1	20.0	13.2	40.9	47.3	10.3
	20–99	16.4	38.2	18.5	16.0	44.2	55.7	9.1
	100–499	14.8	26.9	14.3	10.3	30.8	57.2	11.4
Region	Atlantic	20.2	41.8	14.0	11.2	35.3	33.3	7.6
	Quebec	10.4	31.8	13.6	15.9	30.3	35.8	9.3
	Ontario	23.9	41.7	16.1	12.4	40.2	37.1	9.3
	Prairies	17.1	32.4	18.0	12.3	40.9	46.2	9.5
	British Columbia and Territories	17.0	38.7	19.0	13.7	43.2	40.6	10.4
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	20.6	36.7	14.9	16.4	34.7	33.9	7.9
	Construction (NAICS 23)	15.3	40.8	16.5	12.4	36.6	43.1	9.8
	Manufacturing (NAICS 31-33)	19.8	42.1	21.1	17.4	46.1	38.3	9.5
	Wholesale Trade (NAICS 41)	17.6	34.1	19.3	14.2	37.4	35.4	9.7
	Retail Trade (NAICS 44-45)	21.0	38.2	17.8	12.5	37.4	37.5	7.3
	Transportation and Warehousing (NAICS 48-49)	16.9	39.7	14.9	10.5	41.0	40.6	5.9
	Professional, Scientific and Technical Services (NAICS 54)	11.4	34.6	16.7	13.7	42.6	33.7	7.8
	Accommodation and Food Services (NAICS 72)	30.0	39.4	19.3	15.6	48.6	58.3	9.5
	Other Services (NAICS 81)	16.9	38.9	16.4	11.6	41.8	42.2	9.7
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	17.1	32.3	11.5	11.5	30.0	32.2	12.7
	Knowledge-Based Industries	9.7	39.9	14.2	19.4	38.1	31.0	7.6
Location	Rural	20.1	37.8	15.8	14.0	37.7	39.6	8.1
	Urban	17.8	37.1	16.5	13.1	38.6	38.8	9.7
Export Status	Exporter	20.6	41.0	19.7	17.8	43.6	38.7	9.5
	Non-exporter	18.0	36.8	15.9	12.7	37.8	39.0	9.4

		Managing debt level	Maintaining sufficient cash flow	Lack of monitoring business operations to make improvements	Lack of knowledge about competitors or market trends	Devoting too much time to day-to-day operations	Recruiting and retaining employees	Other
		Percentage						
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	19.1	41.1	13.2	15.3	34.2	45.7	5.5
	2002–2009 (2–10 years old)	20.0	40.3	17.4	10.2	41.1	40.7	9.4
	1992–2001 (11+ years old)	18.6	37.5	16.2	15.2	38.2	35.4	11.4
	Prior to 1992 (more than 20 years)	16.9	34.7	16.1	13.8	37.4	39.2	8.7
Innovation Activities Developed or Introduced	New or significantly improved good or service	22.4	44.4	21.3	15.0	49.5	40.9	13.5
	New or significantly improved process or method	21.9	45.5	22.2	18.9	48.8	46.7	15.4
	New organizational method in firm's business practices, workplace organization or external relations	23.5	44.4	23.7	15.6	46.3	44.9	12.8
	New way of selling goods or services	22.3	46.1	24.8	17.4	49.9	43.7	12.1
	At least one of the four above innovations	20.8	43.5	21.3	15.1	46.7	43.0	12.1
	Non-innovator (none of the above)	16.4	33.2	13.0	12.3	32.7	34.9	7.7
Owner's Age (years)	<30	27.6	45.7	24.0	17.4	34.3	36.8	7.1
	30–39	19.3	40.5	19.2	16.3	45.2	49.8	5.6
	40–49	19.9	41.6	20.3	14.7	40.1	42.2	12.0
	50–64	17.1	35.5	13.6	12.6	37.6	36.9	8.9
	65+	17.0	29.4	14.0	9.0	32.1	29.8	8.8
Female Ownership (%)	0	16.1	36.3	16.8	14.6	38.7	40.1	9.1
	1–49	15.7	35.7	17.8	11.9	35.5	37.4	8.3
	50	21.8	39.2	15.3	13.4	41.0	38.0	8.9
	51–99	24.0	39.2	10.9	6.4	32.6	32.1	3.8
	100	23.6	39.2	15.1	10.1	37.4	38.1	13.2
Highest Level of Education Attained by Owner	Less than high school	22.2	39.0	14.0	11.8	32.8	37.5	6.0
	High school	19.0	35.6	16.6	15.9	34.8	38.3	9.3
	College/CEGEP/trade school	18.9	41.2	17.1	12.9	43.8	42.6	10.1
	Bachelor's degree	18.0	37.0	17.4	14.6	41.5	41.3	10.4
	Master's degree or above	12.6	29.3	13.8	7.9	30.6	28.3	8.6

*North American Industry Classification System (NAICS).

Table 7: Distribution of SMEs

		Percentage
All SMEs	1–499 employees	100.0
Employment Size (number of employees)	1–4	53.0
	5–19	35.5
	20–99	10.5
	100–499	1.0
Region	Atlantic	7.0
	Quebec	21.2
	Ontario	34.6
	Prairies	19.8
	British Columbia and Territories	17.4
Industry	Agriculture, Forestry, Fishing and Hunting (NAICS 11),* Mining and Oil and Gas Extraction (NAICS 21)	6.7
	Construction (NAICS 23)	15.2
	Manufacturing (NAICS 31-33)	6.7
	Wholesale Trade (NAICS 41)	6.2
	Retail Trade (NAICS 44-45)	13.7
	Transportation and Warehousing (NAICS 48-49)	5.0
	Professional, Scientific and Technical Services (NAICS 54)	11.7
	Accommodation and Food Services (NAICS 72)	8.8
	Other Services (NAICS 81)	7.5
	Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), Arts, Entertainment and Recreation (NAICS 71)	18.6
	Knowledge-Based Industries	4.6
Location	Rural	21.0
	Urban	79.0
Export Status	Exporter	10.4
	Non-exporter	89.6
Age of Business (year started / number of years old)	2010–2011 (2 years or younger)	4.9
	2002–2009 (2–10 years old)	27.0
	1992–2001 (11+ years old)	24.3
	Prior to 1992 (more than 20 years)	43.7
Innovation Activities Developed or Introduced	New or significantly improved good or service	23.7
	New or significantly improved process or method	14.5
	New organizational method in firm's business practices, workplace organization or external relations	14.9
	New way of selling goods or services	16.6
	At least one of the four above innovations	37.8
	Non-innovator (none of the above)	62.2

		Percentage
Owner's Age (years)	<30	1.6
	30–39	10.6
	40–49	28.2
	50–64	48.4
	65+	11.3
Female Ownership (%)	0	53.9
	1–49	12.5
	50	18.1
	51–99	2.1
	100	13.4
Highest Level of Education Attained by Owner	Less than high school	9.5
	High school	23.8
	College/CEGEP/trade school	32.1
	Bachelor's degree	21.8
	Master's degree or above	12.8

*North American Industry Classification System (NAICS).

** Knowledged-based industries represents a subcategory of businesses that are science and technology based, innovative, and research and development intensive firms that are considered to be high-knowledge producers. These businesses formally operate in the "other industries" sector; hence, the total distribution of SMEs by industry does not add up to 100 percent. The distribution adds up to 100 percent if the knowledge-based industries sector is excluded.